



DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
Dover, Delaware

AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CGFM, CFE
AUDITOR OF ACCOUNTS

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INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS
DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
Dover, Delaware

We have audited the accompanying financial statements of the business-type activities of Delaware Manufactured Home Relocation Authority (the Authority), a component unit of the State of Delaware, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2005 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

OFFICE OF AUDITOR OF ACCOUNTS

R. Thomas Wagner, Jr., CGFM, CFE
Auditor of Accounts

Dover, Delaware
March 10, 2006



STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CGFM, CFE
AUDITOR OF ACCOUNTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

BOARD OF DIRECTORS
DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY
Dover, Delaware

We have audited the financial statements of the Delaware Manufactured Home Relocation Authority (the Authority) as of and for the year ended June 30, 2005, and have issued our report thereon dated March 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relative low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 10, 2006.

This report is intended solely for the information and use of the Authority's management, Board of Directors, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

OFFICE OF AUDITOR OF ACCOUNTS

R. Thomas Wagner, Jr., CGFM, CFE
Auditor of Accounts

Dover, Delaware
March 10, 2006

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY

STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents, Unrestricted	\$523,649
Accounts Receivable	<u>169,927</u>
TOTAL ASSETS	<u>693,576</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	1,500
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NET ASSETS, UNRESTRICTED	<u>692,076</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$693,576</u>
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See accompanying notes to the financial statements.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

OPERATING REVENUES

Assessments	<u>\$694,401</u>
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OPERATING EXPENSES

Relocation Assistance	145,938
Professional Fees	62,112
General and Administrative Expenses	<u>1,902</u>

TOTAL OPERATING EXPENSES	<u>209,952</u>
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OPERATING INCOME	484,449
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NONOPERATING REVENUES

Interest Income	<u>5,791</u>
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INCREASE IN NET ASSETS	490,240
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NET ASSETS AT BEGINNING OF YEAR	<u>201,836</u>
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NET ASSETS AT END OF YEAR	<u>\$692,076</u>
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See accompanying notes to the financial statements.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Communities	\$740,850
Cash Payments to Community Owners and Tenants for Program Services	(144,438)
Cash Payments to Vendors for Goods and Services	<u>(92,284)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 504,128

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Cash and Cash Equivalents	<u>5,791</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 509,919

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 13,730

CASH AND CASH EQUIVALENTS, END OF YEAR \$523,649

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Operating Income \$484,449

Adjustments to Reconcile Operating Income to Net Cash
Provided by Operating Activities:

Change in Assets and Liabilities:

Decrease in Accounts Receivable	46,449
Decrease in Accounts Payable	<u>(26,770)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$504,128

See accompanying notes to the financial statements.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Delaware Manufactured Home Relocation Authority (the Authority) was established in 2003 pursuant to Title 25 of the Delaware Code, Section 7011 for the purpose of the administration and operation of the Delaware Manufactured Home Relocation Trust Fund (the Trust Fund). The Authority is comprised of a non-compensated Board of Directors appointed by the Governor from among community owners and residents. The Trust Fund is funded by quarterly assessments collected by the property owner and funded 50% from the property owners/landlords and 50% from the tenants. The sole purpose of the Trust Fund is to assist community owners and tenants when a change in the use of the land occupied by the tenant requires termination of the existing rental agreement. The Authority is in the process of setting the payment limits for non-relocatable homes. The cap on the Trust Fund is \$10 million. The Trust Fund terminates on July 1, 2014 unless terminated sooner or extended by the General Assembly.

Reporting Entity

The Authority is a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The Authority has no component units for which it is considered to be financially accountable. The Authority's activities are financed and operated as an enterprise fund as costs and expenses of providing services are recovered primarily through user charges.

Basis of Accounting

In accordance with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, which requires recognition of revenues when earned and expenses when incurred. The Authority has elected not to apply all Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, in accordance with Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*.

Cash and Cash Equivalents

The cash and cash equivalents within the Authority's Trust Fund are controlled by the State Treasurer's Office in Dover, Delaware. The Authority controls the operating account.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables

All receivables are considered fully collectible by management. No allowance for bad debts is deemed necessary.

Revenues and Expenses

Operating revenues consist of quarterly assessments from property owners on behalf of the landlord and tenant of each rented lot. Operating expenses include both program and support services. Program services include payments to manufactured home owners/tenants for reimbursements for moving costs and non-relocatable homes, and payments to manufactured home community owners for removal and/or disposal of non-relocatable or abandoned homes when there is a change in land use. Support services includes all other operating expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS

At June 30, 2005, the Authority has a cash and cash equivalents balance of \$523,649. Of that amount, \$516,733 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the Authority, but the credit risk cannot be categorized. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

DELAWARE MANUFACTURED HOME RELOCATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE B – CASH AND CASH EQUIVALENTS – CONTINUED

The operating account is in the custody of Authority officials. The book and bank balances of these funds were \$6,916 and \$7,846, respectively. The bank balance of cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and, therefore, there is no custodial credit risk for these cash deposits.

NOTE C – COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Authority does not anticipate losses from these transactions.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable was determined to be \$169,927 at June 30, 2005. While management considers this amount reasonable, accounts receivable may be underreported. The Authority is unable to determine if all manufactured home communities are being properly assessed due to the fact that a complete listing of manufactured home communities has never been compiled by any government agency or organization. The Authority is in the process of compiling a complete listing. Any manufactured home community that has not paid the past assessments must pay all retroactive assessments from the creation of the Authority in 2003.

NOTE E – RELATED PARTY TRANSACTIONS

As stated in Note A, certain members of the Authority's Board of Directors are manufactured home community owners. These members, therefore, have paid quarterly assessments into the Trust Fund. At June 30, 2005, accounts receivable due from related parties was \$27,899.